

PERAC AUDIT REPORT



Bristol County
Contributory Retirement System



JAN. 1, 2008 - DEC. 31, 2010



TABLE OF CONTENTS

Letter from the Executive Director	I
Statement of Ledger Assets and Liabilities.....	2
Statement of Changes in Fund Balances	3
Statement of Receipts.....	4
Statement of Disbursements.....	5
Investment Income.....	6
Schedule of Allocation of Investments Owned.....	7
Supplementary Investment Regulations	8
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions	10
Note 2 - Significant Accounting Policies.....	17
Note 3 - Supplementary Membership Regulations	19
Note 4 - Administration of the System	20
Note 5 - Actuarial Valuation and Assumptions	21
Note 6 - Membership Exhibit	22
Note 7 - Premises Owned and Occupied.....	24
Note 8 – Transfer of Plan Administration Sheriffs Department.....	24

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

March 23, 2012

The Public Employee Retirement Administration Commission has completed an examination of the Bristol County Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2008 to December 31, 2010. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Bristol County Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners John J. Shea and Martin J. Feeney who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2010	2009	2008
Net Assets Available For Benefits:			
Cash	\$7,987,225	\$15,091,634	\$6,528,313
Short Term Investments	0	2,331,771	638,994
Fixed Income Securities	62,388,568	55,901,076	52,756,952
Equities	59,455,542	54,157,611	43,138,677
Pooled Domestic Equity Funds	76,608,326	75,462,786	58,291,285
Pooled International Equity Funds	113,068,110	86,776,355	57,014,018
Pooled Domestic Fixed Income Funds	42,619,316	49,311,786	44,872,178
Pooled International Fixed Income Funds	14,806,813	14,588,263	14,274,096
Pooled Alternative Investment Funds	43,675,241	34,253,855	27,685,114
Pooled Real Estate Funds	13,145,995	15,444,307	23,218,333
County Crossing Realty Trust (Note 7)	299,880	299,880	342,720
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	639,114	621,509	603,574
Accounts Receivable	1,317,626	1,112,083	1,596,493
Accounts Payable	(454,022)	(1,206,747)	(391,420)
Total	\$435,557,735	\$404,146,169	\$330,569,328
Fund Balances:			
Annuity Savings Fund	\$123,668,653	\$135,265,592	\$129,261,798
Annuity Reserve Fund	39,111,571	39,206,821	36,291,444
Pension Fund	9,213,112	14,433,116	13,624,288
Military Service Fund	45,940	41,719	42,520
Expense Fund	0	0	0
Pension Reserve Fund	263,518,460	215,198,921	151,349,279
Total	\$435,557,735	\$404,146,169	\$330,569,328

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2008)	\$121,939,474	\$34,845,289	\$15,456,122	\$42,266	\$0	\$274,795,577	\$447,078,727
Receipts	15,203,751	1,054,524	29,190,188	254	3,514,280	(123,581,046)	(74,618,049)
Interfund Transfers	(5,379,667)	5,244,919	0	0	0	134,748	0
Disbursements	(2,501,760)	(4,853,287)	(31,022,022)	0	(3,514,280)	0	(41,891,350)
Ending Balance (2008)	129,261,798	36,291,444	13,624,288	42,520	0	151,349,279	330,569,328
Receipts	15,158,138	1,104,859	33,829,794	213	3,517,746	63,852,391	117,463,140
Interfund Transfers	(7,140,189)	7,142,937	0	0	0	(2,748)	0
Disbursements	(2,014,156)	(5,332,419)	(33,020,966)	(1,013)	(3,517,746)	0	(43,886,299)
Ending Balance (2009)	135,265,592	39,206,821	14,433,116	41,719	0	215,198,921	404,146,169
Receipts	13,241,290	1,163,849	30,063,633	4,221	3,927,818	48,320,455	96,721,266
Interfund Transfers	(4,445,201)	4,446,118	0	0	0	(916)	(0)
Disbursements	(20,393,028)	(5,705,216)	(35,283,636)	0	(3,927,818)	0	(65,309,699)
Ending Balance (2010)	\$123,668,653	\$39,111,571	\$9,213,112	\$45,940	\$0	\$263,518,460	\$435,557,735

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Annuity Savings Fund:			
Members Deductions	\$11,851,747	\$13,707,395	\$13,550,222
Transfers from Other Systems	844,935	352,336	842,827
Member Make Up Payments and Re-deposits	97,101	163,749	79,317
Member Payments from Rollovers	56,076	313,453	28,419
Investment Income Credited to Member Accounts	391,432	621,206	702,965
Sub Total	<u>13,241,290</u>	<u>15,158,138</u>	<u>15,203,751</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>1,163,849</u>	<u>1,104,859</u>	<u>1,054,524</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	1,239,234	971,385	808,106
	724,249	774,292	794,750
Pension Fund Appropriation	28,100,151	32,084,116	27,572,633
Settlement of Workers' Compensation Claims	0	0	14,700
Sub Total	<u>30,063,633</u>	<u>33,829,794</u>	<u>29,190,188</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	4,095	0	0
Investment Income Credited to the Military Service Fund	125	213	254
Sub Total	<u>4,221</u>	<u>213</u>	<u>254</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>3,927,818</u>	<u>3,517,746</u>	<u>3,514,280</u>
Sub Total	<u>3,927,818</u>	<u>3,517,746</u>	<u>3,514,280</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	50,627	45,040	61,620
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	11,509	12,210	31,136
Miscellaneous Income (Loss)	629	86	(11,121)
Excess Investment Income (Loss)	<u>48,257,690</u>	<u>63,795,056</u>	<u>(123,662,682)</u>
Sub Total, Net	<u>48,320,455</u>	<u>63,852,391</u>	<u>(123,581,046)</u>
Total Receipts, Net	<u>\$96,721,266</u>	<u>\$117,463,140</u>	<u>(\$74,618,049)</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2010	2009	2008
Annuity Savings Fund:			
Refunds to Members	\$1,180,884	\$1,131,756	\$1,597,601
Transfers to Other Systems	<u>19,212,144</u>	<u>882,399</u>	<u>904,159</u>
Sub Total	<u>20,393,028</u>	<u>2,014,156</u>	<u>2,501,760</u>
Annuity Reserve Fund:			
Annuities Paid	5,631,808	5,262,459	4,802,762
Option B Refunds	<u>73,409</u>	<u>69,960</u>	<u>50,525</u>
Sub Total	<u>5,705,216</u>	<u>5,332,419</u>	<u>4,853,287</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	24,040,882	22,499,563	20,967,065
Survivorship Payments	1,547,395	1,485,701	1,392,671
Ordinary Disability Payments	371,176	401,401	366,050
Accidental Disability Payments	6,618,122	6,094,845	5,868,962
Accidental Death Payments	828,709	715,861	667,097
Section 101 Benefits	140,487	132,498	134,303
3 (8) (c) Reimbursements to Other Systems	1,736,867	1,691,096	1,625,874
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>35,283,636</u>	<u>33,020,966</u>	<u>31,022,022</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>1,013</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	303,809	333,587	341,699
Legal Expenses	120,327	159,062	316,557
Medical Expenses	0	0	0
Travel Expenses	5,762	214	9,913
Administrative Expenses	234,405	253,553	199,464
Professional Services	21,450	0	0
Education and Training	0	0	0
Furniture and Equipment	2,114	4,291	5,043
Management Fees	2,448,682	2,093,706	2,053,150
Custodial Fees	560,921	448,148	370,898
Consultant Fees	136,212	137,180	132,806
Rent Expenses	0	0	0
Service Contracts	41,244	34,364	34,119
Fiduciary Insurance	37,893	38,640	35,632
Depreciation	0	0	0
Sub Total	<u>3,927,818</u>	<u>3,517,746</u>	<u>3,514,280</u>
Total Disbursements	<u>\$65,309,699</u>	<u>\$43,886,299</u>	<u>\$41,891,350</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2010	2009	2008
Investment Income Received From:			
Cash	\$18,467	\$30,270	\$204,306
Short Term Investments	617	324	0
Fixed Income	2,447,563	2,813,072	2,998,390
Equities	1,057,262	1,155,541	1,605,190
Pooled or Mutual Funds	5,393,497	7,475,514	4,836,065
Commission Recapture	0	0	0
Total Investment Income	<u>8,917,405</u>	<u>11,474,721</u>	<u>9,643,951</u>
Plus:			
Realized Gains	9,306,223	8,950,532	7,422,665
Unrealized Gains	73,255,177	89,519,088	13,197,870
Interest Due and Accrued - Current Year	639,114	621,509	603,574
Sub Total	<u>83,200,514</u>	<u>99,091,130</u>	<u>21,224,109</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	(85,894)	(185,832)	(194,819)
Realized Loss	(5,351,689)	(16,906,258)	(13,781,303)
Unrealized Loss	(32,317,914)	(23,831,107)	(134,516,596)
Interest Due and Accrued - Prior Year	(621,509)	(603,574)	(766,000)
Sub Total	<u>(38,377,006)</u>	<u>(41,526,771)</u>	<u>(149,258,719)</u>
Net Investment Income (Loss)	<u>53,740,913</u>	<u>69,039,079</u>	<u>(118,390,659)</u>
Income Required:			
Annuity Savings Fund	391,432	621,206	702,965
Annuity Reserve Fund	1,163,849	1,104,859	1,054,524
Military Service Fund	125	213	254
Expense Fund	3,927,818	3,517,746	3,514,280
Total Income Required	<u>5,483,224</u>	<u>5,244,023</u>	<u>5,272,023</u>
Net Investment Income (Loss)	<u>53,740,913</u>	<u>69,039,079</u>	<u>(118,390,659)</u>
Less: Total Income Required	<u>5,483,224</u>	<u>5,244,023</u>	<u>5,272,023</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$48,257,690</u>	<u>\$63,795,056</u>	<u>(\$123,662,682)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2010		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$7,987,225	1.8%
Fixed Income	62,388,568	14.4%
Equities	59,455,542	13.7%
Pooled Domestic Equity Funds	76,608,326	17.7%
Pooled International Equity Funds	113,068,110	26.1%
Pooled Domestic Fixed Income Funds	42,619,316	9.8%
Pooled International Fixed Income Funds	14,806,813	3.4%
Pooled Alternative Investment Funds	43,675,241	10.1%
Pooled Real Estate Funds	13,145,995	3.0%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	0	0.0%
Grand Total	<u>\$433,755,137</u>	<u>100.0%</u>

For the year ending December 31, 2010, the rate of return for the investments of the Bristol County Retirement System was 14.09%. For the five-year period ending December 31, 2010, the rate of return for the investments of the Bristol County Retirement System averaged 4.88%. For the twenty-six year period ending December 31, 2010, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Bristol County Retirement System was 9.11%.

The composite rate of return for all retirement systems for the year ending December 31, 2010 was 13.67%. For the five-year period ending December 31, 2010, the composite rate of return for the investments of all retirement systems averaged 4.39%. For the twenty-six year period ending December 31, 2010, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.46%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Bristol County Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

March 31, 2010

21.01(1) The Bristol County Retirement Board has voted to invest \$5 million in the INVESCO Mortgage Recovery Fund. This investment is part of the Public Private Investment Program (PPIP) sponsored by the U.S. Department of the Treasury. As part of the mandate of the PPIP investment program, the manager may invest using leverage of up to 3x.

March 19, 2010

21.01(1) The Bristol County Retirement Board has voted to invest \$10 million in the Alliance Bernstein Legacy Securities Portfolio. This investment is part of the Public Private Investment Program (PPIP) sponsored by the U.S. Department of the Treasury. As part of the mandate of the PPIP investment program, the manager may invest using leverage up to 1x.

September 23, 2009

21.01(1) The Bristol County Retirement Board has voted to invest \$10,000,000 in the TCW Special Mortgage Credits Fund III, L.P. This investment is part of the Public-Private Investment Program (PPIP) sponsored by the United States Department of the Treasury. As part of the mandate of the PPIP investment program, the manager may invest using leverage of up to 1x.

July 14, 2009

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Bristol County Retirement Board may invest funds of the Bristol County Retirement System (the "System") in the fund known as RREEF America REIT II, Inc. (the "Fund"), and effective retroactively as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq., 17.00 et seq., and 840 CMR 21.01, the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualifies as "real estate operating company" within the meaning of Employee Retirement Income Security Act of 1974, as amended and the regulations promulgated there under.

April 24, 2006

21.01(3)(4)(5) The PIMCO Diversified Income Fund may use derivative securities, including U.S. and non-U.S. government futures, interest rate swaps, credit default swaps, options, and mortgage derivatives. The Fund's statement of objectives allows unlimited use of such instruments, but actual use has never exceeded 15% of the Fund's total market value and is not expected to appreciably exceed this level. The Board and its consultant are satisfied with PIMCO's capability and experience in the use of such derivatives.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

September 7, 2005

16.08 The Bristol County Retirement Board is authorized to invest in the BlackRock Apartment Value Fund III (AVF III). The board has been a satisfied investor in the predecessor fund, SSR Apartment Value Fund II, which is currently in a liquidation phase in which more than 100% of the Board's investment, is expected to be returned by the time of the first capital call for AVF III. The acquisition of SSR Realty by BlackRock has resulted in no substantive changes either in personnel or in strategy for this program.

June 21, 2001

21.01(3) The Bristol County Retirement System may utilize forward foreign exchange contracts with a gross value up to 60% of the international equity portfolio managed by Arrowstreet Capital, L.P. The purpose of these contracts is not to take or increase risk but to reduce risk by assuring that the portfolio's currency position is in line with the MSCI-EAFE benchmarks. To offset the effect of equity holdings that may be higher or lower than the country percentage represented in the benchmark, offsetting long and short positions in foreign currency contracts will be used to bring the portfolio's currency composition in line with the benchmark.

May 7, 2001

16.08 In accordance with PERAC Investment Guideline 99-3, the Bristol County Retirement Board may invest in Charles River Partnership XI. The Board has been an investor in Charles River Partnerships VII, VIII, IX, and X and has submitted information on those investments as well as other required documents.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Bristol County Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation. For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17).
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Members who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, §. 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$751.80 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, §. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$751.80 per year, per child (or \$312 per year in systems in which the local option contained in G.L. c. 32, §. 9(2)(d)(ii) has not been adopted) payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

NOTES TO FINANCIAL STATEMENTS (Continued)

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, § 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. Presently that amount is \$12,000. Each increase must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is unmarried at the time of retirement for a member whose retirement becomes

NOTES TO FINANCIAL STATEMENTS (Continued)

effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair market value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Bristol County Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

March 2, 2010

Upon becoming a member of the Bristol County Retirement System, said member may purchase any past service as a part-time, provisional, temporary, temporary provisional, seasonal or intermittent employee of Bristol County or any of its member units, provided that the member remits to the Board the appropriate amount of contributions that would have been withheld, together with regular interest, had he or she been a member of the Retirement System at the time service was rendered.

It shall be the sole responsibility of the member to obtain, and provide to the Board, verification of this past service rendered, including but not limited to payroll records indicating the amount of compensation received and the amount of hours worked. In the event that any or all of such original documentation is unavailable, the Board may exercise its discretion pursuant to M.G.L. c. 32, sec. 20(5)(c)(I), on a case by case basis, to accept alternative documentation to verify said service.

For members who purchase such past service rendered as a part-time, provisional, temporary, temporary provisional, seasonal or intermittent employee of Bristol County or any of its member units, creditable service shall be prorated and calculated based on 1040 hours of compensated employment in the aggregate being equivalent to one (1) year of creditable service. Members shall be credited with full months and full years of past service rendered and purchased.

Creditable Service:

December 12, 1984

Creditable service for call fire fighters and reserve police officers prior to March 1, 1964, shall be credited at the rate of one month for every full year of service. Service subsequent to March 1, 1964, shall be credited at the rate of five years maximum for any length of service, provided the recipient was later appointed as a permanent member of the police or fire department.

Membership:

December 12, 1984

Part-time employees must become members of the retirement system provided the employee works 20 hours per week.

Travel Regulations:

November 22, 2002

The Bristol County Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations are available upon written request, and are also available on the PERAC website:

<http://www.mass.gov/perac/03travelreg/bristoltravelreg.html>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the County Treasurer who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Kevin Finnerty, Chairman

Appointed Member: Edmund J. Lima Term Expires: 12/31/2011

Elected Member: William M. Downey Term Expires: 12/31/2013

Elected Member: Stephen J. Rivard Term Expires: 01/06/2012

Appointed Member: Chistopher T. Saunders Term Expires: Until a successor is
elected

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$50,000,000 Fiduciary Liability
Ex-officio Member:)	St. Paul, Travelers, National Union
Elected Members:)	Arch Insurance
Appointed Members:)	\$1,000,000 Fidelity
Staff Employees:)	MACRS Policy

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2010.

The actuarial liability for active members was	\$328,794,097
The actuarial liability for retired and inactive members was	<u>361,498,105</u>
The total actuarial liability was	\$690,292,202
System assets as of that date were	<u>447,114,412</u>
 The unfunded actuarial liability was	 <u>\$243,177,790</u>
The ratio of system's assets to total actuarial liability was	64.8%
As of that date the total covered employee payroll was	\$136,443,244

The normal cost for employees on that date was 8.4% of payroll

The normal cost for the employer was 3.7% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum

Rate of Salary Increase: 4.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2010	\$447,114,412	\$690,292,202	\$243,177,790	64.8%	\$136,443,244	178.2%
1/1/2009	\$396,683,194	\$697,604,462	\$300,921,268	56.9%	\$158,880,971	189.4%
1/1/2007	\$390,706,411	\$593,767,462	\$203,061,051	65.8%	\$146,988,086	138.1%
1/1/2005	\$334,319,614	\$535,755,874	\$201,436,260	62.4%	\$134,953,427	149.3%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Retirement in Past Years										
Superannuation	90	62	123	120	79	82	80	84	109	76
Ordinary Disability	1	2	1	3	1	1	2	1	3	0
Accidental Disability	10	7	12	10	11	15	15	11	5	5
Total Retirements	101	71	136	133	91	98	97	96	117	81
Total Retirees, Beneficiaries and Survivors	1,628	1,781	1,822	1,860	2,000	2,020	2,039	2,062	2,104	2,154
Total Active Members	4,354	4,141	4,220	4,213	3,994	4,168	4,210	4,139	4,132	3,535
Pension Payments										
Superannuation	\$11,074,164	\$12,504,468	\$14,351,867	\$16,228,237	\$17,350,356	\$18,563,707	\$19,748,052	\$20,967,065	\$22,499,563	\$24,040,882
Survivor/Beneficiary Payments	728,093	463,787	1,300,669	1,309,579	1,366,468	1,374,417	1,479,143	1,392,671	1,485,701	1,547,395
Ordinary Disability	419,165	432,049	355,833	338,053	337,846	333,185	395,820	366,050	401,401	371,176
Accidental Disability	3,124,821	3,319,834	3,570,789	4,002,682	4,298,546	4,742,136	5,234,038	5,868,962	6,094,845	6,618,122
Other	856,508	962,631	1,899,378	2,904,172	1,903,145	2,015,111	1,984,385	2,427,274	2,539,456	2,706,063
Total Payments for Year	<u>\$16,202,751</u>	<u>\$17,682,769</u>	<u>\$21,478,536</u>	<u>\$24,782,723</u>	<u>\$25,256,361</u>	<u>\$27,028,556</u>	<u>\$28,841,438</u>	<u>\$31,022,022</u>	<u>\$33,020,966</u>	<u>\$35,283,636</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PREMISES OWNED AND OCCUPIED

The Bristol County Retirement Board is located in two commercial condominium units situated at 645 County Street, County Crossing, Taunton, MA., 02780. The offices are owned by County Crossing Realty Trust which is a Real Estate Trust fully owned by the Bristol County Retirement Board. The first unit, Condo Unit # 5 was acquired by purchase in 1995 for a price of \$83,967.32. The second unit Condo Unit # 4 was acquired by purchase in April 1997 for a price of \$105,000. The total original cost was \$188,967.32. The system values these acquired premises at an appraised value subject to comparable sales of local real estate. The value may be adjusted based upon those trends. As of December 31, 2010 the offices are valued at \$299,800. The costs of normal maintenance and repairs are expensed during the current period. There is no mortgage or other debt associated with these properties. The retirement board conducts the normal course of its administrative activities, counsels members and retirees, maintains the records, and holds the required regular public Board meetings at this location.

NOTE 8 - TRANSFER OF PLAN ADMINISTRATION SHERIFFS' DEPARTMENT

Chapter 61 of the Acts of 2009, as amended by Chapter 102 of the Acts of 2009, transferred active members of the county sheriffs' departments in Barnstable, Bristol, Dukes, Norfolk, Plymouth, and Suffolk Counties to the State effective January 1, 2010.

PERAC

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